

MICROFINANCE

Final Report

for the period

30 September 1997 – 30 June 2003

Save the Children

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List of Acronyms

AFD	Agence Française pour le Développement
AIMS	Assessing the Impact of Microenterprise Services
APIM	Association Professionnelle des Institutions de Microfinance
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BMS	Banque Malienne de Solidarité
BNDA	Banque Nationale pour le Développement Agricole
CAS/SFD	Cellule d'Appui et de Supervision des Systèmes Financiers Décentralisés (Ministry of Finance)
CIDA	Canadian International Development Agency
FED	Fonds Européen pour le Développement
GGLS	Group Guaranteed Lending and Savings
GTZ	German Development Agency
IEC	Information, Education and Communication.
MIS	Management Information System
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
SC	Save the Children US
SNV	Dutch Cooperation Agency
SYSCOA	Système de Comptabilité Ouest Africain
WAI	Weidemann Associates, Inc.

I. Introduction

The first half of 2003 was characterized by a difficult environment for Soro Yiriwaso, indeed for Mali as whole, due to a poor rainy season in 2002 and to the crisis in the Ivory Coast which began in September, 2002. These two factors have created a difficult economic situation, if not a recession, most especially in the rural areas where Soro Yiriwaso is working. Some of the impacts of poor economic conditions on Soro Yiriwaso have been:

- A decline in activities in all branch offices (Kolondieba, Bougouni, Ouéléssébougou and Sikasso) since January 2003;
- A wait-and-see approach adopted by part of our existing clientele, and by potential clients as well;
- Supply problems faced by current and potential clients, as well as difficulties in getting products to market; and
- Higher risk of non-payment of outstanding loans.

However, Soro Yiriwaso has managed to continue implementing its business plan and realized the following activities:

- The development of a new training manual for credit associations, which corrects certain weaknesses found in the previous version;
- Capacity building of partners (associations and solidarity groups) through refresher training on good governance, board roles and responsibilities, and internal regulations;
- Strengthening of Soro Yiriwaso's supervision system, through the introduction of a new methodology and the development of new tools, as well as related field agent training;
- Expansion of activities of existing branches through extension to new zones in Ouéléssébougou, Bougouni, and Sikasso;
- Feasibility study and partner negotiations completed in anticipation of the upcoming opening of a new branch office in Koutiala;
- The start of tests on a new individual loan product in selected branches; and
- After a two and a half year process, the signature obtained by Soro Yiriwaso's Board Chairman of the convention with the Ministry of Finance recognizing Soro Yiriwaso as a legal microfinance institution.

II. Results

Implementation of the above activities, carefully following its business plan, allowed Soro Yiriwaso to achieve the following results:

INDICATORS	Targets	Achievement 30 June 2003	Rate of Achievement
Number of active clients	10,00	10,111	93%
Portfolio outstanding (FCFA)	390,000,000	288,395,498	74%
% Portfolio at risk (>30 days)	≤ 5%	1%	n/a
Mandatory savings (FCFA)	30,000,000	61,498,626	205%
Operational self-sufficiency	60%	97%	97%
Financial self-sufficiency	58%	98%	98%

The troubling economic situation affected Soro Yiriwaso's ability to meet planned targets this past semester. The biggest impacts can be seen in the *Portfolio Outstanding*, which decreased significantly this past semester, and in *Mandatory Savings*, which were double the planned target.

III. Activities

A. Management Systems Strengthening

To improve the management of its activities, Soro Yiriwaso:

- Introduced in all branches data entry forms that allow staff to easily produce monthly portfolio reports;
- Introduced a new financial report model which allows branch managers to summarize all financial transactions;
- Introduced a new supervision manual which addresses issues such as supervision methods, use of information channels, support to staff, monitoring and correction of mistakes. A new supervisory report model is also currently used in all branches; and
- Strengthened its reimbursement target information systems with a standard model now used in all branches.

B. Staff and Partner Organization Capacity Building

As Soro Yiriwaso has always stressed, the quality of a microfinance program depends on the quality of its personnel and of the partners with which it works. This past semester, Soro Yiriwaso conducted training of trainers sessions to allow its agents to in turn provide quality training to our partners in the following areas :

- Solidarity association diagnostics;
- Good governance;
- Board member roles and responsibilities;
- Understanding the new training manual for credit associations;
- Encouraging associations to obtain their legal recognition (*récépissé*) from local authorities; and
- Improving association board management of all phases of the loan cycle.

C. Consolidation and Expansion

For the Sikasso field office, situation analyses were carried out in Klela, Kignan and Lobougoula, following which a decision was made to expand the branch's coverage to the latter two localities. Activities of the Ouéléssébougou branch have been extended to Sanankoroba. Yanfolila has been added to the zones covered by the Bougouni branch office.

Regarding the opening of new branches, starting in January 2003, Soro Yiriwaso conducted a number of studies on Koutiala to judge the area's viability for the opening of a new branch office. Results of these studies were positive. The branch is scheduled to open in August 2003, and the following activities are currently being undertaken in order to prepare for this event:

- Discussions with local authorities confirming our intention to work in Koutiala;
- Recruiting and training of new field agents;
- Obtaining needed equipment and identifying appropriate office space; and
- Opening accounts at the BNDA.

D. Individual Loan Pilot Test

Following the results of an impact evaluation conducted in 2002, and in an effort to diversify its product base, Soro Yiriwaso launched an effort in the first half of 2003 to study the potential for an individual loan product. At the time of this writing, the characteristics of this new product have now been defined including terms and conditions, and minimum and maximum amounts. As well, the modalities of a pilot test have been determined. The test period will last 10 months from June 2003 to

March 2004, involving 85 clients in three branches (Sikasso, Ouélessébougou and Kolondieba). After this test, the product will be revised according to findings, followed by marketing it more widely with Soro Yiriwaso's existing clients.

E. IGP/USAID Research Project

Providing loan products which clients want and need is Soro Yiriwaso's goal. Apart from still-limited access to credit for women, even microfinance institutions that serve women do not tend to offer products that are particularly adapted to women living and working in heavily agricultural areas. In particular, there is an absence of agricultural and storage products. Soro Yiriwaso obtained financing from the Microenterprise Implementation Grant Program (IGP) of USAID-Washington and will conduct, starting in October 2003, research on agricultural loan products for women. These products would allow women to purchase seeds, fertilizers, pesticides, and equipment, or hire needed labor to improve their current agricultural activities. Storage loans would allow women to buy grains at harvest, store them and then re-sell them later in the year when prices are more favorable.

F. Partnerships

Some of the partnership activities conducted in the first half of 2003:

- Participation by Soro Yiriwaso's Director at the Microfinance Week organized by APIM, 15-17 April. Main themes included: good governance, legal recourse for recovery, internal audit, and risk.
- The Director and the IEC Coordinator attended Save the Children's Program Learning Group (PLG) meeting in Cambodia. Added to themes such as access to commercial funds and HIV/AIDS, were numerous field visits.
- The visit by a representative of USAID/Washington from 16 to 20 June 2003 as part of an assessment to determine Soro Yiriwaso's eligibility for the IGP grant.

G. Third General Assembly

Soro Yiriwaso's *Third General Assembly* was held the 24th of May 2003 at its Bougouni headquarters. The Board's continuing confidence in Soro Yiriwaso's management team was confirmed. The following important decisions were made at this meeting:

- To fill a board position left vacant by the untimely death of the member responsible for income-generating activities, Mme Koné.
- To move Soro Yiriwaso's headquarters from Bougouni to Bamako in 2004. This decision reflects continuing communication problems that hamper the institution's effectiveness, but also the need to be more centrally located,

given expansion plans to the regions of Ségou and Koulikoro, planned for 2004 and 2005 respectively.

IV. Impact of Activities

Success Story 1

Aminata Samaké, 40 years old, of Ouéléssébougou (*cercle* of Kati), is married and the mother of eight children. A client of Soro Yiriwaso's for two and a half years, she is currently in her fourth loan cycle. With investment capital of 130,000 FCFA (which included a loan from Soro Yiriwaso of 100,000 FCFA), she produces and sells juice concentrates (tamarind, lemon, *dah*, and *zaban*). Fruits are bought locally, while containers are purchased from Sada Diallo Enterprises in Bamako. Her market covers Ouéléssébougou, Bougouni and Bamako. According to Mme. Samaké, access to credit has allowed her to rapidly expand her business over the years, and maintain an acceptable profit margin of 20,000 FCFA per cycle. She plans to diversify her activities in the coming months, adding new fruit juice varieties. Mme. Samaké recognizes that, without Soro Yiriwaso, her business could not have developed as well as it has. That said, she suggests that Soro Yiriwaso should lengthen the loan reimbursement cycle from four to five weeks.



Mme. Samaké selling her juices

Success Story 2

Assetou Ballo, 36 years old and married with three children, lives in Bougouni. She has been a member of the Teriva Association, in the Medine neighborhood of Bougouni, since 1997. Mme. Ballo is in the midst of her eighth loan with Soro Yiriwaso, amounting to 125,000 FCFA, and has never had a reimbursement problem. She sells cloth and other goods such as sugar and tea. She buys her cloth in Burkina Faso and sells it on credit to her clients in Bougouni. She has a three-month business cycle after which she realizes a net profit of 75,000 FCFA. Saving this money, she recently purchased a motorcycle worth 500,000 FCFA. She also pays for her children's school fees and medicines. Her suggestion for Soro Yiriwaso is that they should introduce individual loans with a one-year repayment schedule.



Mme. Ballo in her shop

Success Story 3

Alima Coulibaly is widowed with four children and lives in Ouayerma I neighborhood in Sikasso. In order to provide for her family, she decided to set up a business selling prepared meals of rice and sauce. Not having the necessary start-up capital, she decided to join her neighborhood's solidarity group which had been operating for the last year. Today, Mme. Coulibaly has received her third loan, of 100,000 FCFA. With this money she is able to buy rice and condiments in bulk, thus profiting from economies of scale. She prepares and sells about 20 kg of rice per day, netting her a daily profit of 2,300 FCFA (69,000 FCFA per month). With this profit, she is able to repay her loan while meeting her family's needs. Mme. Coulibaly really feels that

without a nearby microfinance institution like Soro Yiriwaso, she would not have been able to provide for her family. She feels that institutions like Soro Yiriwaso are critical in the fight against poverty.



Mme. Coulibaly at her 'cantine'.

V. Challenges Encountered/ Lessons Learned

As in any year, even a successful one, inevitably a number of challenges will present themselves. The main challenge this year, as mentioned above, is the Ivory Coast crisis. However, the other most significant challenge, this past semester and indeed this past year has been the problems with the installation of a functional management information system (MIS). As mentioned in the *2002 Annual Report*, the hoped-for introduction of a new MIS for Soro Yiriwaso was not achieved, largely due to the unresponsiveness of the contractor, Weidemann Associates. This past semester, this issue has taken up inordinate amounts of time and, at the time of writing, a functional system still had not been installed, though latest tests in June appeared promising. The contract with Weidemann has now ended. Soro Yiriwaso has taken steps to secure the finalization of the installation by communicating directly with the software manufacturer, SYSDE, and by exploring support services both in Mali and in Senegal. In the meantime, and since March, Soro Yiriwaso has developed and trained its staff in an Access database. When the SAF 2000 software is finally installed, this Access database will be maintained, serving as a back-up in case of any kind of failure in the MIS.

VI. Partnerships

Soro Yiriwaso's 2001-2005 business plan contains ambitious plans for expanding its reach in existing and new zones, for which additional funds will be needed. In this light, Soro Yiriwaso developed a strategy and has been in contact with a variety of potential donors such as SNV, CIDA, GTZ, BNDA, BMS, etc. Soro Yiriwaso is hopeful of some positive outcomes from these meetings.

VII. Plans for July-December 2003

To achieve its remaining goals for the year, Soro Yiriwaso plans on implementing the following activities:

- Introduction of an individual loan product in the Bougouni, Kolondieba, Sikasso and Ouéllessébougou branch offices, starting with a pilot;
- Successfully installing the SAF 2000 software;
- Continuing expansion within our existing zones;
- Training for our staff on new loan products, and continued training for staff and partners in areas such group facilitation, small business management, loan recovery, marketing and good governance;
- Opening of a new branch in Koutiala and starting activities in the new zones of Yanfolila, Kignan, Klela and Sanankoroba; and
- Finalizing discussions with USAID Washington and starting up the IGP project.

VIII. Summary 1997-2003

A. Milestones

Save the Children introduced its *Group Guaranteed Lending and Savings (GGLS)* program in 1995 and obtained USAID financing to cover operations from 1997 to 2003. With very positive results obtained in Kolondieba, Save the Children began, in 1999, the process of spinning off its program into a stand-alone microfinance institution. Thus was created Soro Yiriwaso on September 9th 2000. The year 2001 was a critical year in which a number of important milestones were reached:

- Submission of Soro Yiriwaso's request for legal recognition as a microfinance institution to the Malian Ministry of Finance;

- Signature of agreements between Save the Children and Soro Yiriwaso, ceding credit operations to the latter and establishing the grant funding relationship between them;
- Severing the microfinance staff of Save the Children and Soro Yiriwaso's signing new contracts with these employees. This included the development of a new salary scale, in which all staff salaries were lowered;
- Finalization of Soro Yiriwaso's first five-year business plan (2001 – 2005);
- Completion of an impact study which examined both the program's effect on clients, and their remaining needs;
- Development of a continuing education/training plan for staff and partners; and
- Public relations activities including community fora and radio broadcasts.

B. Results

Through the painstaking development of plans, careful adherence to them, and frank analysis of problems and constraints encountered along the way, Soro Yiriwaso deals flexibly with its environment and has managed to obtain impressive results, year after year:

INDICATORS	30/06/2003	31/12/2002	31/12/2001	31/12/2000	31/12/1999
Number of clients	10,111	10,086	6,814	5,646	3,708
Portfolio outstanding (FCFA)	288,395,498	339,094,102	139,081,962	86,124,000	63,665,154
Number of active loans	9,173	9,707	6,367	4,872	3,708
% Portfolio at risk (>30 jours)	1%	1%	1,7%	8%	0,4%
Total disbursed (FCFA)	450,045,000	863,185,000	311,385,000	230,407,000	119,240,000
Number of loans	8,276	18,142	11,036	8,748	3,744
Mandatory savings (FCFA)	61,498,626	49,456,360	17,580,459	13,115,334	6,417,452
Operational self-sufficiency	58%	52%	35%	31%	27%
Financial self-sufficiency	57%	50%	33%	30%	25%

- The number of clients increased from **3,708** clients at the end of 1999 to **10,111** clients on June 30, 2003, an increase of **173%**.
- The portfolio outstanding December 31st, 1999 was **119,240,000 FCFA**, as against **288,395,498 FCFA** on June 30 2003, an increase of **142%**.
- Mandatory savings increased from **6,417,452 FCFA** at the end of 1999 to **61,498,626 FCFA**, an increase of **858%**.
- Operational self-sufficiency increased 115%, from **27%** at the end of 1999, to **58%**.

C. Main Activities

Institutionalization

Beginning in 2000, the pace of institutionalization increased dramatically, with activities such as the establishment of the *Board of Directors* and obtaining official NGO status. Soro Yiriwaso proceeded very carefully in the former activity. Resource persons were contacted and their commitment and interest judged. Once potential board members were identified, a series of meetings were held, again to further gauge commitment. At the last of these meetings, Soro Yiriwaso's by-laws were developed, as well as a vision and mission statement. All these activities culminated in Soro Yiriwaso's first General Assembly, held on September 9th, 2000, at which the by-laws were adopted, the Board of Directors official elected, and a training held on good governance. The Board's first task was to obtain official NGO status from the *Ministère de l'administration territoriale*; this was obtained November 6th, 2000. The Board of Directors has met regularly since inception and have participated in numerous trainings in areas such as *Basic Microfinance* and *Financial Ratio Analysis*, as well as exchange visits, such as with NYETA MUSOW in Mopti and ASSEF in Benin.

Mission and Vision

While a successful program, Save the Children's GGLS was not conceived from the outset as a long-term microfinance institution. Soro Yiriwaso realized quite early that it needed to clearly define a mission and vision for the organization, both to demarcate it from the Save the Children program and in order to reinforce with staff, partners, and clients the idea that it was an institution that was here to stay. The first step was changing the name to Soro Yiriwaso and creating a new logo and slogan. Mission and vision statements were developed with staff, and then communicated widely to communities in Soro Yiriwaso's impact zones. Today, Soro Yiriwaso has a strong organizational identity in the Sikasso region and beyond.

Staff and Organizational Capacity Building

Over the years Soro Yiriwaso staff have received a number of trainings in areas such as: marketing, accounting, business plans, individual loans, OHADA and SYSCOA rules and regulations, internal audit, facilitation skills, fundraising, human resource management, grant management and training of trainers. Soro Yiriwaso has complemented this training with the development and refinement of tools used regularly by staff such as:

- Credit and reimbursement information tools which allow staff to know the status of accounts at any time;
- New savings withdrawal forms;

- Fund request forms for branches, which require branch managers to identify and be responsible for all new credit requests; and
- New manuals for administrative and financial procedures, credit management, and group training.

Consolidation and Expansion

Soro Yiriwaso has evolved into a program which today covers the Sikasso region (apart from Yorosso and Koutiala), as well as parts of Koulikoro, with expansion plans to expand further in Koulikoro and to enter the region of Ségou. Its steady expansion has been based on the principles of intensifying activities from existing branches, and expanding activities with the creation of new branches. Soro Yiriwaso's strategy for new branches is to enter with a minimum of personnel and then, based on careful analysis of initial results obtained, to proceed with expansion to new zones within the branch area. This strategy allows staff to get a good understanding of the particular locality. This strategy was used in the establishment of new branches in Bougouni, Ouéllessébougou and Sikasso with success, and Soro Yiriwaso will use it for future expansion. A new branch is slated to be opened in Koutiala by the end of 2003 and Soro Yiriwaso intends to open branches in Fana/Dioila in 2004 and Ségou in 2005.

Satisfying Client Needs

In order to guarantee the success and sustainability of the institution, Soro Yiriwaso has consciously sought to make its products and programs responsive to client needs. Soro Yiriwaso continuously seeks out client feedback. In 2002, Soro Yiriwaso conducted an impact evaluation, using *AIMS* tools and methodology, comprising quantitative analysis and a qualitative study involving 1,009 clients. Results were reported in the 2002 Annual Report. Suffice it to say that the majority of clients and former clients stated their satisfaction with Soro Yiriwaso. Key concerns raised over the course of interviews included the loan cycle and reimbursement frequencies being too short, and the amount of the loans being judged as too low.

After further analysis of the results of the study, Soro Yiriwaso decided to introduce two new loan products: a new solidarity group-based loan, with an amount of between 105,000 and 300,000 FCFA, with a cycle increasing from six to eight months, and the first individual loan, with an amount of between 105,000 and 300,000 FCFA with an eight month cycle. This last product will allow clients the choice to continue in solidarity groups or to further develop their businesses on their own. However, clients will have to have been members of solidarity groups before having access to individual loans.

Partnerships

Soro Yiriwaso has sought to establish partnerships throughout its history, and systematically relied on these partners to provide feedback and new ideas for continuous improvements to its programming. Functionally, Soro Yiriwaso has established bank accounts with the BNDA in Bougouni, Ouéléssébougou, Niena, Sikasso and Kadiolo, and accounts at Kafo Jiginew in Manakoro, Loulouni, Garalo and Selingué. Soro Yiriwaso maintains good relationships with these partners. In April 2003, Soro Yiriwaso successfully concluded negotiations with the *Banque Malienne de Solidarité* (BMS.sa) to obtain loan capital of 75,000,000 FCFA. As mentioned in previous reports, Soro Yiriwaso has also been active in seeking out other partners such as CIDA, AFD, GTZ, FED, PLAN International and Belgian Cooperation.

D. Plans for 2003-2005

Soro Yiriwaso expects to achieve the following results, in fulfillment of its business plan:

- Increase operational self-sufficiency to 80% and financial self-sufficiency to 76%.
- Reach 19,500 clients, all women.
- Maintain percentage of the *Portfolio at Risk* (<30 days) below 5%.
- Provide agricultural credit to 1,950 clients, and storage credit to 200 clients.

Annex: Minimum Reporting Requirements for Soro Yiriwaso

A. PORTFOLIO AND OUTREACH	January 1 - June 30, 2003
1. Portfolio outstanding	
Beginning of period	343 117 356
End of period	288 395 498
2. Number of active loans	
Beginning of period	9 707
End of period	9 173
3. Average outstanding loan size	
Average outstanding loan size	31 440
Average disbursed loan size	54 380
4. Amount disbursed for the period	450 045 000
5. Number of loans disbursed during the period	8 276
6. Percentage women clients	100%
7. Portfolio with arrears	
Portfolio with arrears of more than 30 days	2 036 654
Portfolio with arrears of 31 to 60 days	383 715
Portfolio with arrears of 61 to 90 days	380 390
Portfolio with arrears of 91 days to 1 year	1 272 549
8. Amount of savings	
Amount of savings beginning of period	47 726 300
Amount of savings end of period	61 498 626
9. Number of savings accounts	
Number of savings accounts beginning of period	10 086
Number of savings accounts end of period	10 111
10. Number of credit and/or savings staff	28
B. INTEREST RATE POLICY	
11. Loan interest rates	
Nominal rate	25%
Effective rate	29%
12. Interest rate paid on savings	4%
E. OPPORTUNITY COST OF FUNDS INDICATORS	
47. Local interbank lending rate	6,50%
48. Local 90-day CD rate	4,50%
49. Local inflation rate for the period	4%
F. ANALYTIC PERFORMANCE INDICATORS	
50. Total administrative expenses	100 652 090
51. Adjusted financial expenses (check formula)	6 542 386
52. Total adjusted expenses	107 194 476
53. Operational efficiency	32%
54. Adjusted return on operations	62%
55. Loan loss rate	0,03%

C. INCOME AND EXPENSES INFORMATION	January 1 - June 30, 2003
INCOME	66 438 002
13. Interest and fee income for loans	65 356 116
14. Income from investments	0
15. Other operating income from financial services	1 081 886
EXPENSES	113 071 746
16. Staff expenses	52 667 149
17. Other administrative expenses, including depreciation	60 023 287
18. Loan losses	381 310
19. Interest and fee expenses	0
20. Net operating profit	-46 633 744
21.	0
22.	7 772 255
DONATIONS	154 400 000
23. For operating expenses	114 600 000
24. Capital contribution	
Loan fund	
Equity	
Fixed assets	39 800 000
D. BALANCE SHEET INFORMATION	
ASSETS	
25. Cash on hand and in bank	346 328 025
26. Mandatory reserves	0
27. Short term investments	0
28. Loans outstanding	288 395 498
29. Loan loss provision	2 112 613
30. Net portfolio outstanding	286 282 885
31. Long term investment	0
32. Fixed assets	51 174 776
33. Other assets	10 587 367
34. Total assets	694 373 053
LIABILITIES AND EQUITY	
Liabilities	
35. Clients' savings	61 498 626
36. Other savings	0
37. Loans from central Bank	0
38. Loans from other banks	75 000 000
39. Other short term liabilities (compte de regularisation)	0
40. Other long term liabilities	0
Equity	
41. Paid in equity	
42. Donated equity	203 790 880
43. Retained earnings	230 182 237
44. Other capital accounts	13 981 576
45. This period's profit or loss (including subsidies)	109 919 734
46. Total liabilities and equity	694 373 053